

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: June 25, 2008
Request for Initial Resolution Approval

Prepared by: *Ling Tse*

Applicant:	Bay Counties Waste Services, Inc. and/or its Affiliates	Amount Requested:	\$2,960,000
Project Location:	Sunnyvale (Santa Clara County)	Application No.:	812 (SB)
		Initial Resolution No.:	08-06

Summary: Bay Counties Waste Services, Inc. and/or its Affiliates doing business as Specialty Solid Waste & Recycling (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$2,960,000 to purchase vehicles and equipment. The Company provides refuse collection and disposal services in Santa Clara County. The Company anticipates that the project will provide air quality, water quality, energy efficiency, and recycling benefits.

Borrower: Bay Counties Waste Services, Inc. was incorporated in California in 1993. The Company provides refuse collection and disposal services in the city of Sunnyvale. Bay Counties Waste Services, Inc. is affiliated with Alameda County Industries, Mission Trail Waste Systems, and Santa Clara Valley Industries. Some of the owners of the Company own some interests in Amador Valley Industries, Garden City Sanitation, Pleasanton Garbage Service, and South San Francisco Scavenger Company, but the Company represents that there is no common majority ownership or control of those entities.

The principal stockholders of the Company are as follows:

Robert J. Molinaro	24.2%
Anthony Macchiano.....	10.6%
William Dobert	9.1%
Brian Storti.....	6.1%
Doug Button.....	5.0%
Jerry Nabhan	5.0%
Paul Formosa	5.0%
Ron Fornesi.....	5.0%
John Rossi.....	5.0%
Michael Achiro	5.0%
Craig Stagnero Trust.....	5.0%
Richard Gotelli.....	5.0%
Joanne Bortoli	5.0%
Stephanie Uccelli-Menner	5.0%
Total:	100%

Legal Questionnaire: Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Financings of the Company and its Affiliates:

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 5/22/2008
Santa Clara Valley Industries, LLC 1998A	04/03/1998	\$8,495,000	\$2,030,000
Alameda County Industries, Inc. 2000A	05/24/2000	10,310,000	5,180,000
Mission Trail Waste Systems, Inc. 2001A	05/17/2001	3,500,000	1,775,000
Bay Counties Waste Services 2001A DBA: Specialty Solid Waste & Recycling Project	05/17/2001	10,920,000	285,000
Mission Trail Waste Systems, Inc. 2002A	10/02/2002	7,555,000	4,355,000
Bay Counties Waste Services, Inc. 2007A DBA: Bay Counties SMaRT	08/15/2007	<u>5,310,000</u>	<u>5,310,000</u>
TOTALS:		<u>\$46,090,000</u>	<u>\$18,935,000</u>

Project Description: The Company plans to acquire additional equipment to enhance the present operation and to serve its customers in Sunnyvale and Santa Clara. This includes the addition of new carts, bins, containers, collection vehicles, and rolling stock.

The anticipated Project and issuance costs are listed below:

Containers, Bins, Carts	\$1,500,000
Collection Vehicles, Front Loaders, Roll-off Trucks	1,400,000
Bond Issuance Expenses	59,200
Contingency	800
Total:	<u>\$2,960,000</u>

Anticipated Timeline: The Company anticipates starting the equipment purchases in June 2008. Completion is anticipated by December 2009.

Pollution Control and/or Environmental Benefits: The Company represents the Project will generate the pollution control and environmental benefits described below.

Air Quality. The Company anticipates that the new rolling stock will reduce emissions of hydrocarbons, carbon monoxide, nitrogen oxides, and other particulate matter in keeping with California clean air goals and those of the Bay Area Air Quality Management District. In addition, the Company represents that all new mechanized equipment will be California Air Resources Board (CARB) compliant.

Water Quality. The reduction of particulate matter in the air will reduce contamination in water run-off.

Energy Efficiency. New rolling stock will be more energy efficient.

Recycling of Commodities. New carts and containers will continue to assist customers with means of properly disposing of waste in order to increase the efficiencies of the Company’s recycling and diversion efforts.

Permits: No permits are required as this is an equipment only deal.

CDLAC Allocation: The Company anticipates applying to the Authority for CDLAC allocation in the first quarter of 2009.

Financing Details: The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 15 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit issued by Comerica Bank that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is first quarter of 2009.

Financing Team:

Underwriter: Westhoff, Cone, & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Financial Advisor: Andrew S. Rose
Issuer’s Counsel: Office of the Attorney General

Staff Recommendation: Staff recommends approval of Initial Resolution No. 08-06 for Bay Counties Waste Services, Inc and/or its Affiliates for an amount not to exceed \$2,960,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

Initial Resolution No. 08-06
Application No. 812 (SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL/RECYCLING FACILITIES FOR
BAY COUNTIES WASTE SERVICES, INC., DOING BUSINESS AS SPECIALTY SOLID
WASTE & RECYCLING, AND/OR ITS AFFILIATES**

June 25, 2008

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, Bay Counties Waste Services, Inc., doing business as Specialty Solid Waste & Recycling, a California corporation (“Applicant”), has requested that the Authority assist in financing solid waste disposal/recycling facilities to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (collectively, “Company”), which are expected to be comprised of the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto and the acquisition of drop boxes, bins, carts and containers (collectively, “Facilities”), and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/recycling facilities which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$2,960,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Facilities; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Applicant means any person or entity which meets the definition of “participating party” in the Act and controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$2,960,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on June 25, 2011 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

EXHIBIT A

NUMBER: 08-06

LOCATIONS: 3355 Thomas Road
Santa Clara, California 95054

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$2,960,000